Report on the

Alabama Community College System Office

Montgomery, Alabama

October 1, 2020 through September 30, 2021

Filed: June 24, 2022

Department of Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner

22-309

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Rachel Laurie Riddle
Chief Examiner

Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

An audit was conducted on the Alabama Community College System Office, Montgomery, Alabama, for the period October 1, 2020 through September 30, 2021, by Examiners Tahomah Blackmon, Zachary Pugh and Denise Owens. I, Tahomah Blackmon, served as Examiner-in-Charge on the engagement, and under the authority of the ***Code of Alabama 1975***, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

Tahomah Blackmon

Tahomah Blackmon
Examiner of Public Accounts

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Department of
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SUMMARY

Alabama Community College System Office
October 1, 2020 through September 30, 2021

The Alabama Community College System Office (the "Office") has oversite authority for the operation, management and the regulation pursuant to Alabama Community College System Board of Trustees' policies of the twenty-four community and technical colleges and the Alabama Technology Network comprising the Alabama Community College System. It provides technical and legal assistance to the System institutions as well as provides pass-through funds to the colleges for operations and specialized programs.

The Alabama Community College System Office is publicly supported and under the direction and control of the Alabama Community College System Board of Trustees through the Chancellor of the Alabama Community College System.

This report presents the results of an audit, the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Office complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, as well as, the requirements of the Department of Examiners of Public Accounts under the authority of the ***Code of Alabama 1975***, Section 41-5A-12.

An unmodified opinion was issued on the basic financial statements, which means the Office's financial statements present fairly, in all material respects, the financial position and the results of its operations for the fiscal year ending September 30, 2021.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state laws and regulations.

EXIT CONFERENCE

The following officials/employees were invited to an exit conference to discuss the results of the audit: Jimmy Baker, Chancellor of the Alabama Community College System; Sara Calhoun, Chief Financial Officer and Billy Merrill, Deputy Chief Financial Officer. The exit conference was held via teleconference. The following individuals represented the System Office: Jimmy Baker, Chancellor of the Alabama Community College System; Sara Calhoun, Chief Financial Officer; and Billy Merrill, Deputy Chief Financial Officer. Representing the Department of Examiners of Public Accounts were Annette G. Williams, Audit Manager and Tahomah Blackmon, Examiner.

Independent Auditor's Report

Independent Auditor's Report

Board of Trustees – Alabama Community College System
Jimmy H. Baker, Chancellor – Alabama Community College System Office
Montgomery, Alabama 36130

Report on the Financial Statements

We have audited the accompanying financial statements of the Alabama Community College System Office, a component unit of the State of Alabama, as of and for the year ended September 30, 2021, and related notes to the financial statements which collectively comprise the Alabama Community College System Office's basic financial statements as listed in the table of contents as Exhibits 1 through 3.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Alabama Community College System Office, as of September 30, 2021, and its changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the System Office's Proportionate Share of the Collective Net Pension Liability, the Schedule of the System Office's Contributions – Pension, the Schedule of the System Office's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability, the Schedule of the System Office's Contributions – Other Postemployment Benefits (OPEB) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Alabama Community College System Office's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 8) is presented for purposes of additional analysis as required by Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** *(Uniform Guidance)*, and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated June 10, 2022, on our consideration of the Alabama Community College System Office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Alabama Community College System Office's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the Alabama Community College System Office's internal control over financial reporting and compliance.

Rachel Laurie Riddle

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

June 10, 2022

Management's Discussion and Analysis
(Required Supplementary Information)

Overview of the Financial Statements and Financial Analysis

The Alabama Community College System (hereinafter "the ACCS") was created through the Alabama Act 2015-125 (the "Act") as an independent department of state government to replace and succeed the duties of the Department of Postsecondary Education. The Act further transferred the authority, powers and duties assigned to the State Board of Education with respect to the supervision, administration, naming, financing, construction and equipping of institutions of postsecondary education, including Alabama Technology Network, community and technical colleges, junior colleges and trade schools, however described, to a newly created Board of Trustees (the "Board"). The Alabama Community College System Board of Trustees plays a critical role in the education of hundreds of thousands of adults each year. The members of the Board of Trustees serve as guardians for the Alabama Community College System's mission and goals, with the Governor serving as chair of the Board by virtue of elected office. The other board members, appointed by the Governor, represent seven districts, with one state-wide member and an ex-officio liaison from the State Board of Education.

The ACCS is committed to provide accessible educational opportunities for career preparation, advancement, and lifelong learning throughout Alabama. The ACCS is dedicated to providing a dynamic learner centric environment where excellence in teaching, learning, and serving improves the lives of its students and the communities it serves. The ACCS seeks to maintain a sound fiscal foundation to support its mission in addition to providing responsible stewardship of public funds in compliance with state laws. The Alabama Community College System Office (the "System Office") has oversite authority for the operation and management and the regulation pursuant to Alabama Community College System Board of Trustees policies of the twenty-four community and technical colleges and the Alabama Technology Network comprising the Alabama Community College System. It provides technical and legal assistance to the System institutions as well as provides pass-through funds to the colleges for operations and specialized programs. The Alabama Community College System Office is publicly supported and under the direction and control of the Board of Trustees through the Chancellor of the Alabama Community College System.

The accompanying documentation presents the ACCS System Office's financial statements for fiscal year 2020-2021. Three financial statements are presented: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows. This discussion and analysis of the ACCS System Office's financial statements provides an overview of financial activities for the year ended September 30, 2021.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the ACCS System Office at September 30, 2021. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of the ACCS System Office. The Statement of Net Position presents end-of-year data concerning assets (current and non-current), deferred outflows of resources, liabilities (current and non-current), deferred inflows of resources, and net position (Assets and Deferred Outflows minus Liabilities and Deferred Inflows). The difference between current and non-current assets will be discussed in the financial statement disclosures.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the ACCS System Office. Readers are able to determine the consumption or acquisition of resources in one period attributable to future periods included as deferred outflows of resources or deferred inflows of resources, respectively. They are also able to determine how much the ACCS System Office owes vendors, investors, and lending institutions. In summary, the Statement of Net Position provides a picture of the ACCS System Office's assets and deferred outflows of resources in excess of its liabilities and deferred inflows of resources and the availability of the excess for expenditure by the ACCS System Office.

Net Position is divided into two categories. The first category, Net Investment in Capital Assets, provides the ACCS System Office's equity in property, plant, and equipment. The second category is Unrestricted Net Position, which is available to the ACCS System Office for any appropriate purpose. A condensed Statement of Net Position at September 30, 2021 and 2020 is presented below.

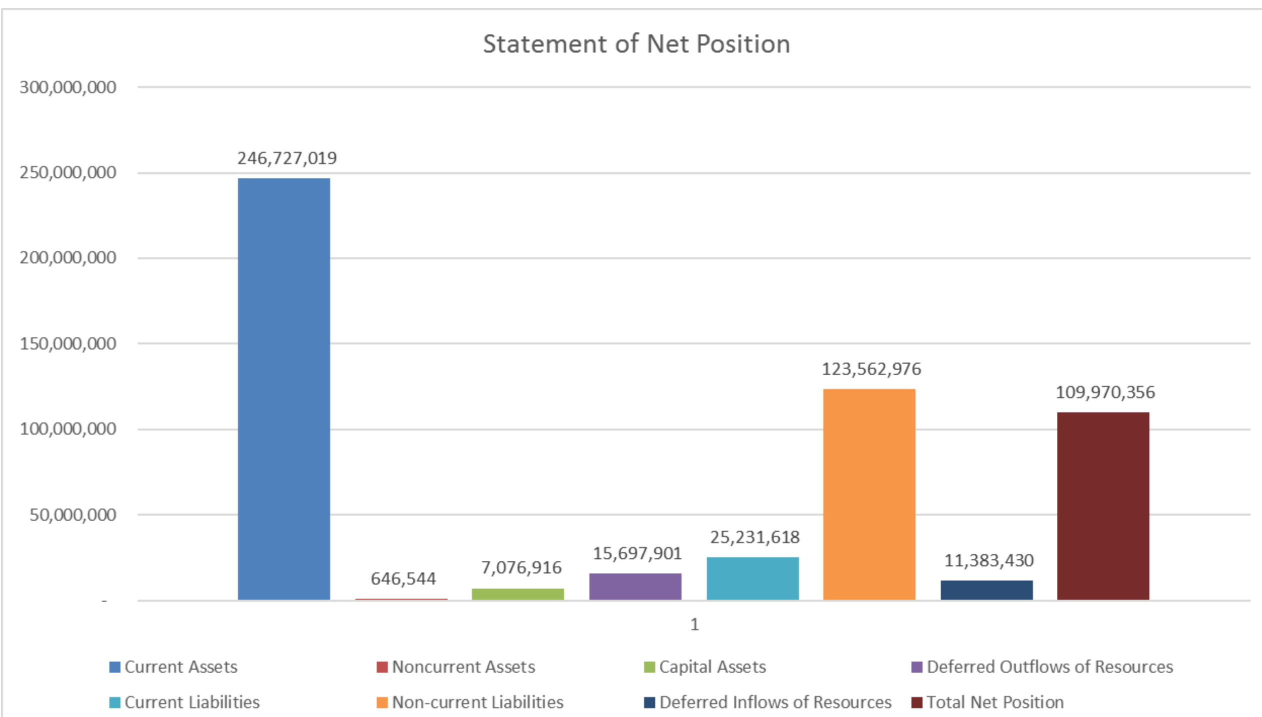
Statement of Net Position

	2020-2021	2019-2020
ASSETS:		
Current Assets	$246,727,019	$136,956,141
Noncurrent Assets	646,544	283,063
Capital Assets	7,076,916	2,671,014
Total Assets	254,450,479	139,910,218
DEFERRED OUTFLOW OF RESOURCES:		
Pension	7,522,120	5,235,597
Other Postemployment Benefit (OPEB)	8,175,781	10,557,488
Total Deferred Outflow of Resources	15,697,901	15,793,085
LIABILITIES:		
Current Liabilities	25,231,618	45,773,734
Noncurrent Liabilities	123,562,976	20,758,257
Total Liabilities	148,794,594	66,531,991
DEFERRED INFLOW OF RESOURCES:		
Pensions	304,000	438,000
Other Postemployment Benefit (OPEB)	11,079,430	11,445,139
Total Deferred Inflow of Resources	11,383,430	11,883,139
NET POSITION:		
Net Investment in Capital Assets	7,076,916	1,959,645
Unrestricted	102,893,440	75,328,528
TOTAL NET POSITION	$109,970,356	$77,288,173

It is important to note that as of September 30, 2021, the ACCS System Office holds $22,333,053.87 of Reserve Fund deposits which caused Current Assets and Unrestricted Net Position (Board Designated) to increase. Governmental Accounting Standards Board (GASB) Statement No. 84 Fiduciary Activities, Reserve Fund deposits totaling $20,968,624.98 were reported as Assets for the year ended September 30, 2020. The purpose of the Fund is to guarantee Board-issued revenue bond debt service on behalf of the various Alabama Community College System Institutions. The Fund is managed by the ACCS Reserve Fund Advisory Council that includes the Chancellor of the Alabama Community College System and one president from each Board district. Additionally, prior to October 1, 2018, the fiduciary and financial reporting for the ACCS System Office were the responsibilities of the State of Alabama Department of Finance. On October 1, 2018, the ACCS enacted the body corporate authority to manage the financial administration and reporting independent of the Department of Finance.

The ACCS System Office's total Net Position increased by $32.7 million during the year ended September 30, 2021. The increase is attributable to the recognition of unearned CARES revenue, unobligated cash held from tuition fees, equipment assets, and Reserve Fund holdings. Additionally, the assets increased by $101,591,495 for Deposits with Trustees as a result of a new bond issued September 2021. This is offset with an increase to non-current liabilities of bonds payable of $100,827,947. The bond issuance will be utilized, along with several other funding sources, to respond to the significant amount of capital improvement needs throughout the system institutions.

The following is a graphic presentation of the ACCS System Office's Statement of Net Position as of September 30, 2021.



Statement of Revenues, Expenses and Changes in Net Position

Changes in total Net Position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received by the ACCS System Office, both operating and non-operating, and the expenses paid by the agency, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the ACCS System Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the ACCS System Office. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the ACCS System Office. Non-operating revenues are revenues received for which specific goods and services are not provided. State appropriations are non-operating because they are provided by the Legislature to the ACCS without the Legislature directly designating how the funds can be used. A large portion of the state appropriation received is distributed to the ACCS member colleges. Readers of these financial statements should gain an understanding of the impact of the presentation of state appropriations as non-operating revenues as required by the Governmental Accounting Standards Board. The impact of the aforementioned presentation is that the ACCS System Office continuously generates an operating loss. Typically, an operating loss suggests fiscal concerns which should be addressed by the ACCS System Office's administration, the operating loss presented in these financial statements should be viewed in the appropriate context. The ACCS System Office considers state appropriations to be an integral component of the fiscal viability of the ACCS System Office. Without these appropriations, the ACCS System Office would have severe difficulty in achieving its mission of providing guidance and support of accessible educational opportunities across the State. The Statement of Revenues, Expenses, and Changes in Net Position presents a net increase in the Net Position for the year ending September 30, 2021.

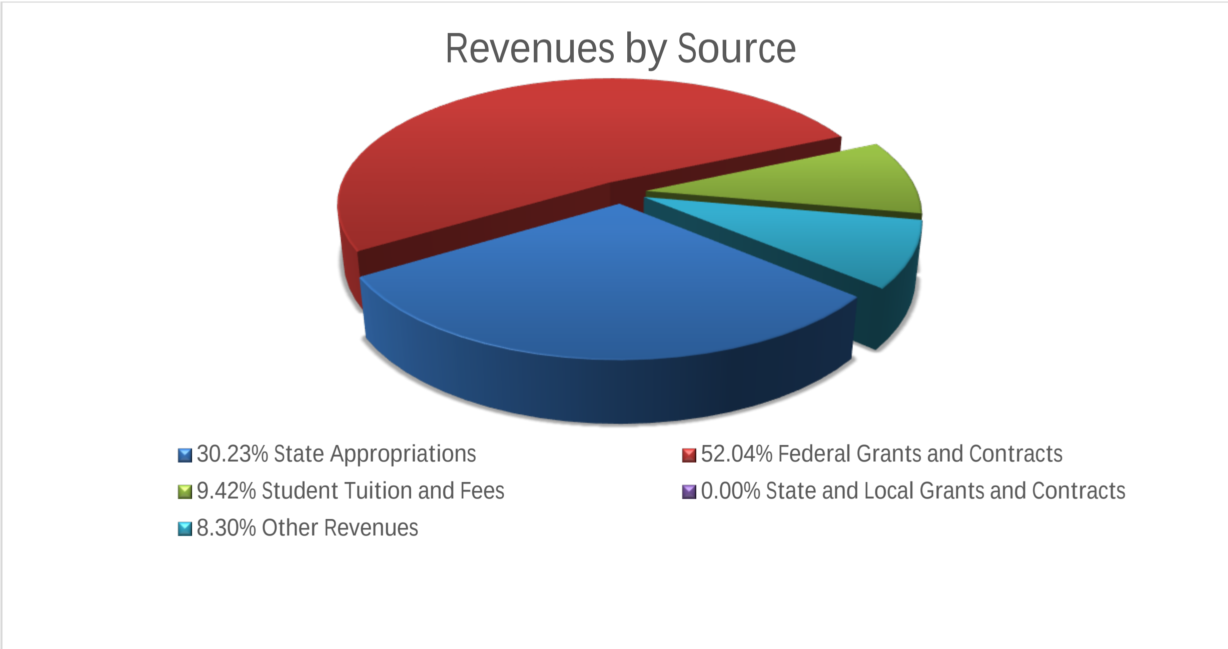
A condensed Statement of Revenues, Expenses and Changes in Net Position for the year ended September 30, 2021 and 2020 is presented below.

Summary Statement of Revenues, Expenses, and Changes in Net Position

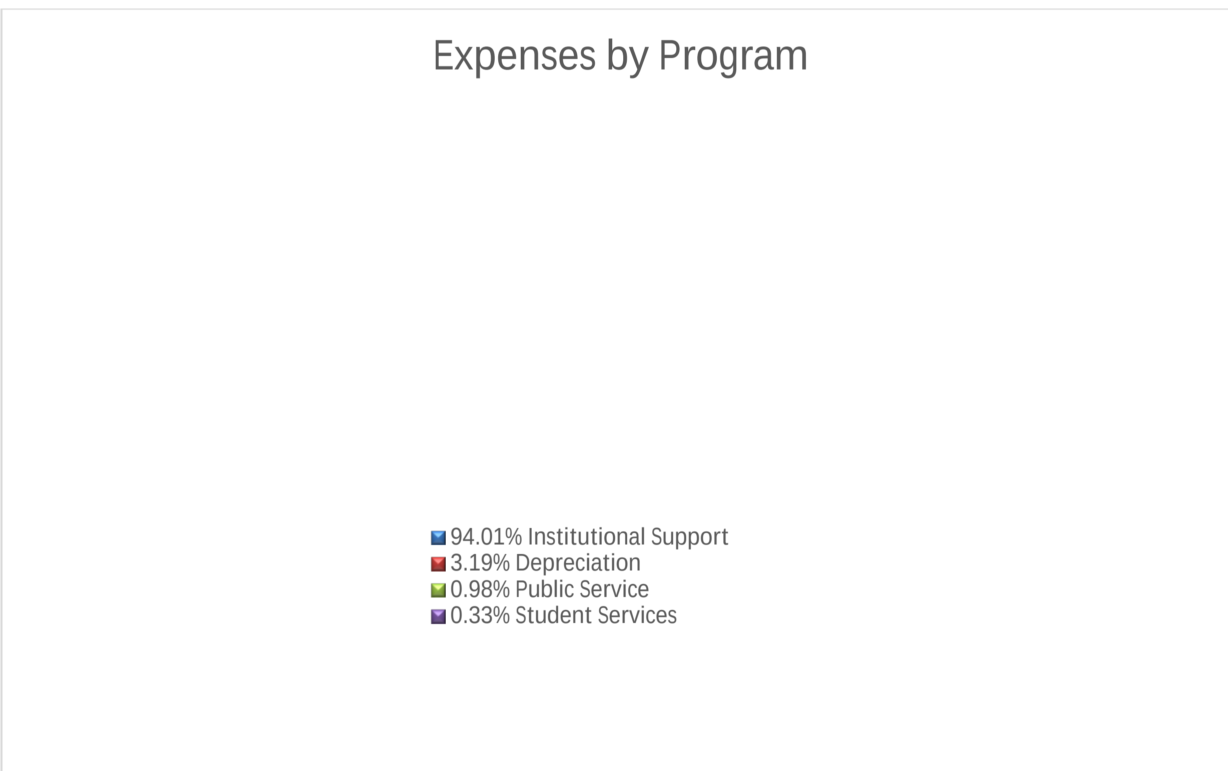
	2020-2021	2019-2020
Operating Revenues	$27,560,876	$21,984,480
Operating Expenses	49,604,847	52,155,831
Operating Loss	(22,043,970)	(30,171,352)
Net non-operating Revenues and Expenses	54,750,653	64,142,597
Change in Net Position	32,706,683	33,971,246
Net Position - Beginning of Year	77,288,173	20,653,495
Restatement	(24,500)	22,663,432
Net Position - End of Year	$109,970,356	$77,288,173

Operating Revenues for the year ended September 30, 2021, were increased approximately $5.6 million with the majority of these funds attributable to collected revenues of assessment fees. Operating Expenses for the year ended September 30, 2021, were relatively stable, with a decrease of approximately $2.55 million due to a combination of decreases in institutional support expenses and an increase of approximately $700,000 to operation and maintenance due to bond issuance costs. Approximately ninety-four percent of expenses are attributed to institutional support and the remaining expenses distributed through public service, student services, and depreciation.

The following is a graphic presentation of the total revenues by source for the fiscal year ended September 30, 2021.



The following is a graphic presentation of operating expenditures by function for the fiscal year ended September 30, 2021.



Statement of Cash Flows

The final statement presented by the ACCS System Office is the Statement of Cash Flows which presents detailed information about the cash activity of the Office during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the ACCS System Office. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position. The increase of over $9.2 million over FY20 is attributable to unobligated cash held from tuition fees and unobligated Education Trust Fund Advanced Technology Funds. A condensed Statement of Cash Flows for the years ended September 30, 2021, and 2020 is presented below.

Summary Statement of Cash Flows

	2020-2021	2019-2020
Cash Flows from Operating Activities	$ (51,104,329)	$(18,749,422)
Cash Flows from Noncapital Financing Activities	66,020,343	68,005,768
Cash Flows from Capital and Related Financing Activities	(5,804,959)	(2,853,670)
Cash Flows from Investing Activities	112,355	552,603
Net Change in Cash	9,223,410	46,955,279
Cash, Beginning of Year	115,493,798	68,538,519
Cash, End of Year	$124,717,208	$115,493,798

Economic Outlook

The state budget estimates for fiscal years 2021 and 2022 and the general economic outlook remain stable with an increase to college Operations and Maintenance funds of $25 million and an additional $15 million for program specific funds, such as Dual Enrolment and Short-Term Career Credentialling. Due to the continuing impacts of the coronavirus, the Chancellor and Board of Trustees approved a tuition freeze for fall semester 2021. In spite of this tuition freeze, the ACCS System Office and Colleges have sustained positive financial stability during the pandemic and have increased enrollment of more than three percent from Fall 2020. As the ACCS System Office continues to grow with state-wide college supportive actions, operating costs will increase to meet the demand of increased enrollment and additional program offerings. The ACCS System Office plans to utilize funds from the Education Trust Fund, tuition fees, and Federal program funds to continue the expansion of services, statewide. Although the pandemic enrollment decline of 10% has not yet been reversed, in whole, the ACCS System Office has a sound fiscal plan to operate without the use of its adequate reserves to meet the ACCS System Office's needs. The ACCS System Office is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the current fiscal year. The ACCS System Office anticipates the next two fiscal years will be challenging as we continue to recover and rebuild from the coronavirus challenges; however, the administration will maintain a close watch over resources to ensure the ACCS System Office's ability to respond proactively to internal and external issues, particularly as related to funding.

Since the System began the transition to the systemwide enterprise resource management system in 2018, the goal of unifying the financial, student, financial aid, and human resource departments throughout all of the colleges and the System Office into one shared environment has had significant improvements on the reporting capabilities. While the transition has proven to be a challenge for many, the administration of the colleges continue to evaluate the skillsets of the employees, and provide on-going professional development training, so the employees can more effectively utilize the complex and comprehensive resource environment. As of July 1, 2020, all colleges were live and operating on the new system. Additionally, the System has implemented two shared Learning Management Platforms, a Customer Relations Management platform for enhanced student retention and communication efforts,enhanced virtual and physical technology security protocols and resources to aide the colleges in their cyber security efforts and a System wide campus security improvement program to include Emerpgency Operation Plans and safety and secirty trainings and preventative measures. These measures have provided a significant impact to the standardization and access to real-time data across the system. While growth, training, and efficiencies will continue, this implementation is a truely a valuable resource to our System.

Subsequent Events

FY2021 was challenging as we continued to adapt our colleges and teaching methods to the new COVID-19 world of social distancing. As we did not expect the restrictions or concerns for safety to lessen throughout 2021, our colleges planned accordingly to maintain the adaptation of their teaching environments.

Not only have the colleges been able to transition existing educational programs to a socially distant learning environments, but many of our schools are also expanding their programs to provide more high-wage, high-demand, industry-driven skills training. In the FY22 legislative session, the Governor requested a $10M line item for the specific focus on short-term credentialing and non-credit training. This will provide funding to pilot a system-wide initiative to develop, perfect, and deploy short-term training courses that are necessitated by the local community leaders and accessible to a larger and, many times, much harder to reach student population. As skills are improved and matriculation to high-wage jobs occur, the long-term and far-reaching impacts of these training courses will be felt in industries, communities, and households throughout the State.

Additional increases to the ETF FY22 budget total more than $41 million which include increased funding of seven percent for Operations and Maintenance, sixteen percent for dual enrollment funding, nineteen percent for automotive manufacturing development training, and an eleven percent for Science, Tech, Engineering, Arts & Math programs.

During, Fall 2021 we began to see a recovery of enrollment, with a system-wide increase from Fall 2020 of 3.4%. Spring 2021, trended towards positive enrollment numbers over Spring 2020 enrollment. These are relatively positive, as nationally, college enrollment decreases range from 10%-30%. We have continued to grow program options and student support services. In Fall 2021, we rolled out a comprehensive Customer Relationship Manager initiative and it will be active at all colleges in April 2022. This will provide several benefits to our students and college personnel including 1) improving communications with all students throughout the student lifecycle, 2) increasing completed student applications which leads to enrollment, 3) increasing student retention, persistence, success, graduation and transfer, 4) tracking interactions with entities (businesses, schools, associations, etc.), and 5) providing additional interim and summative indicators to inform initiatives supporting student success. The CRM will also allow the System Office to collect and monitor student outreach efforts. This information will be used to enhance system wide processes by sharing best practices throughout the System.

In October 2021, the ACCS Innovation Center began development of short-term, career-credentialling curriculum with an initial focus on 23 high-demand industry training. These programs are being developed in partnership with local industry experts to respond to direct industry needs. These courses earning the ACCS Credential will be offered on a virtual platform that can be accessed by any participant at any time of day and in any location throughout the state. Courses feature Alabama businesses and offer work-relevant application from a series of videos designed with tutorial training in mind as well as a pathway sample of which jobs can be obtained by completing the training and the relative wages for these jobs offered throughout the state.

Participants who complete the courses and receive an ACCS Credential are offered articulated credit toward the next up-skilled job training at his or her local Community College. In offering the ACCS Credential holders articulated credit, the ACCS Community Colleges are acknowledging a desire to continuously help ensure progression and constantly fulfill a pipeline of employees as skilled workers advance and new participants enter the workforce. Alabama businesses can count on the Community Colleges to help them advance employees and provide this pipeline for continued state growth and workforce expansion.

The ASPIRE 2030 initiative, conceived in response to the recent Alabama Public School & College Authority 2020 issuance that has made available a significant amount of capital improvement funding for the colleges. ACCS is ensuring this funding is used for projects that will best equip institutions to effectively serve students and communities well into the future. Funding is focused more heavily on projects that show the potential for greatest impact on local communities and that will most strengthen the System as a whole. ASPIRE 2030 required the colleges to develop competitive proposals for these projects. The projects are responsive to future needs of students and local communities and have engaged external stakeholders in an exercise of self-analysis and strategic planning before developing the project proposals. Extreme emphasis has been placed on involving the entire community in the process.

The funding for the selected ASPIRE projects will include a combination of the following:

- Public School and College Authority (PSCA) Bond Issue (State of Alabama) - $120M
- Advanced Technology Funds (State of Alabama) - $48M
- ACCS System Level Bond Issue - $101.6M
- College Funds - local funds, federal funds, college funds, and/or new college debt.

A phase-in plan has begun with 6 colleges and is expanding to include all ACCS colleges to align with needs, funding resources, and construction schedules over the next two years. The focus of these initial projects is specifically aligned to meet the growing needs of the State to fulfill the workforce skills training needs in high wage, high demand industries. A unique aspect of this initial project is the replication of the building designs, which is projected to save more than a $1M in design fees for 5 buildings. Additionally, a seventh college has completed the purchase of a building to establish a permanent stand-alone campus for the College in Prattville, Alabama. The College has outgrown its current temporary location in the Pratts Mill Shopping Center due to increased enrollment. The College will renovate and improve the property to be used for post-secondary education instructional and workforce training programs to be offered. The current construction market is a major consideration when evaluating the priority of projects, to ensure the available funds are utilized to best meet the needs of the System. The next several projects will run concurrently and include upgrades to roofing infrastructures, mechanical upgrades to outdated systems, and upgrading workforce training labs.

Basic Financial Statements

Statement of Net Position
September 30, 2021

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 124,717,207.52
Accounts Receivable, Net	20,418,315.80
Deposit with Bond Trustee	101,591,495.69
Total Current Assets	246,727,019.01
Noncurrent Assets	
Other Noncurrent Assets	646,544.03
Capital Assets:	
Equipment and Furniture	7,037,034.07
Land	339,800.00
Buildings	861,888.80
Improvements other than Buildings	349,369.63
Construction in Progress	158,562.50
Less: Accumulated Depreciation	(1,669,739.14)
Total Capital Assets, Net of Depreciation	7,076,915.86
Total Noncurrent Assets	7,723,459.89
Total Assets	254,450,478.90
Deferred Outflow of Resources	
Defined Benefit Pension Plan	7,522,120.11
Other Postemployment Benefits (OPEB)	8,175,781.00
Total Deferred Outflow of Resources	$ 15,697,901.11

The accompanying Notes to the Financial Statements are an integral part of this statement.

LIABILITIES	
Current Liabilities	
Accounts Payable and Accrued Liabilities	$ 23,484,525.87
Bonds Payable	1,685,000.00
Compensated Absences	62,092.04
Total Current Liabilities	25,231,617.91
Noncurrent Liabilities	
Compensated Absences	1,995,750.61
Bonds Payable	100,827,947.79
Net Pension Liability	17,549,000.00
Net OPEB Liability	3,190,278.00
Total Noncurrent Liabilities	123,562,976.40
Total Liabilities	148,794,594.31
Deferred Inflow of Resources	
Defined Benefit Pension Plan	304,000.00
Other Postemployment Benefits (OPEB)	11,079,430.00
Total Deferred Inflow of Resources	11,383,430.00
Net Position	
Net Investment in Capital Assets	7,076,915.86
Unrestricted	102,893,439.84
Total Net Position	$ 109,970,355.70

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Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2021

OPERATING REVENUES	
Student Fee Assessments	$ 7,768,594.15
Federal Grants and Contracts	13,230,458.54
Nongovernmental Grants and Contracts	22,835.00
Other Operating Revenue	6,538,988.60
Total Operating Revenues	27,560,876.29
OPERATING EXPENSES	
Public Service	484,001.53
Student Services	163,489.32
Institutional Support	46,633,635.15
Operation and Maintenance of Plant	739,080.25
Depreciation	1,584,640.31
Total Operating Expenses	49,604,846.56
Operating Income (Loss)	(22,043,970.27)
NONOPERATING REVENUES (EXPENSES)	
State Appropriations	459,053,843.40
State Appropriations Transferred to Colleges	(434,094,229.81)
Federal Grants and Contracts	29,700,323.97
Investment Income	288,680.60
Interest Debt Payments	(176,325.36)
Other Nonoperating Revenues/(Expenses)	(21,639.60)
Net Nonoperating Revenues	54,750,653.20
Changes in Net Position	32,706,682.93
Total Net Position - Beginning of Year, as Restated (Note 12)	77,263,672.77
Total Net Position - End of Year	$ 109,970,355.70

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Cash Flows
For the Year Ended September 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Student Fee Assessments	$ 8,449,140.57
Federal Grants and Contracts	(14,069,809.81)
Payments to Suppliers	(37,617,152.91)
Payments to Employees	(10,934,844.15)
Payments for Benefits	(3,493,486.00)
Other Receipts	6,561,823.60
Net Cash Provided (Used) by Operating Activities	(51,104,328.70)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	459,053,843.40
Federal Grants and Contracts	29,700,323.97
State Appropriations Transferred to Colleges	(422,712,184.95)
Other	(21,639.60)
Net Cash Provided (Used) by Noncapital Financing Activities	66,020,342.82
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	(6,015,041.90)
Principal Paid on Capital Debt	(711,369.57)
Deposits with Trustees	(101,591,495.69)
Proceeds from Issue of Capital Debt	102,512,947.79
Net Cash Provided (Used) by Capital and Related Financing Activities	(5,804,959.37)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	112,355.24
Net Cash Provided (Used) by Investing Activities	112,355.24
Net Increase (Decrease) in Cash and Cash Equivalents	9,223,409.99
Cash and Cash Equivalents - Beginning of Year	115,493,797.53
Cash and Cash Equivalents - End of Year	$ 124,717,207.52

The accompanying Notes to the Financial Statements are an integral part of this statement.

Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	$ (22,043,970.27)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	1,584,640.31
Changes in Assets and Liabilities:	
(Increase)/Decrease in Receivables, Net	1,044,027.65
(Increase)/Decrease in Deferred Outflows	95,183.57
(Increase)/ Decrease in Other Assets	(363,481.23)
Increase/(Decrease) in Accounts Payable	(5,598,639.52)
Increase/(Decrease) in Unearned Revenue	(27,300,268.35)
Increase/(Decrease) in Compensated Absences	293,561.14
Increase/(Decrease) in Net Pension Liability	4,356,000.00
Increase/(Decrease) in Net OPEB Liability	(2,671,673.00)
Increase/(Decrease) in Deferred Inflows	(499,709.00)
Net Cash Provided (Used) by Operating Activities	$ (51,104,328.70)

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Alabama Community College System Office (the "Office") are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Office are described below.

A. Reporting Entity

The Alabama Community College System Office is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board (GASB) in Statement Number 14, "The Financial Reporting Entity," states that a primary government is financially accountable for a component unit if it appoints a voting majority of an organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama which through the Alabama Community College System Board of Trustees governs the Alabama Community College System Office. The Alabama Community College System through its Chancellor has the authority and responsibility for the operation, management, supervision and regulation of the Alabama Community College System Office. In addition, the Office receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the Office is considered for financial reporting purposes to be a component unit of the State of Alabama.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of Alabama Community College System Office have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

It is the policy of the Office to first apply restricted resources when an expense is incurred and then apply unrestricted resources when both restricted and unrestricted resources are available.

The Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and nonoperating revenues. Operating revenues, such as student fee assessments, result from exchange transactions associated with the principal activities of the Office. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. The Office has determined that all federal grants and contracts, state grants and contracts, local grants and contracts and nongovernmental grants and contracts, which are not designated for the purchase of capital assets or nonoperating expenses, will be considered operating revenue. Nonoperating revenues arise from exchange transactions not associated with the Office's principal activities, such as investment income and from all nonexchange transactions, such as state appropriations, and gifts.

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Statutes authorize the Office to invest in the same type of instruments as allowed by Alabama law for domestic life insurance companies. This includes a wide range of investments, such as direct obligations of the United States of America, obligations issued or guaranteed by certain federal agencies, and bonds of any state, county, city, town, village, municipality, district or other political subdivision of any state or any instrumentality or board thereof or of the United States of America that meet specified criteria.

Investments are reported at fair value based on quoted market prices, except for money market investments and repurchase agreements, which are reported at amortized cost.

2. Receivables

Accounts receivable relate to amounts due from federal grants, state grants, state appropriations, and tuition due from the colleges.

3. Capital Assets

Capital assets, other than intangibles, with a unit cost of over $5,000 and an estimated useful life in excess of one year are recorded at historical cost or estimated historical cost if purchased or constructed. The capitalization threshold for intangible assets such as capitalized software and internally generated computer software is $1 million and $100,000 for easements and land use rights and patents, trademarks and copyrights. In addition, works of art and historical treasures and similar assets are recorded at their historical cost. Donated capital assets are recorded at acquisition value (an entry price) at the date of donation. Land, Construction in Progress and intangible assets with indefinite lives are the only capital assets that are not depreciated. Depreciation is not allocated to a functional expense category. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon the sale or retirement of fixed assets being depreciated using the straight-line method, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operation.

The method of depreciation and useful lives of the capital assets are as follows:

Assets	Depreciation Method	Useful Lives
Buildings and Improvements	Straight-Line	50 years
Improvements Other Than Buildings	Straight-Line	25 years
Equipment	Straight-Line	5 – 10 years
Capitalized Software	Straight-Line	10 years

4. Deferred Outflows of Resources

Deferred outflows of resources are reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

5. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bonds are carried net of applicable premiums and discounts. Bond premiums and discounts are amortized over the life of the bonds.

6. Compensated Absences

Full-time employees earn 4 hours and 20 minutes of sick leave semi-monthly or 13 days per year with accumulation limited to a maximum of 150 days. Employees may be compensated for one-half of accrued sick leave (maximum of 600 hours) upon retirement from state service or death of the employee. Tier 1 employees have the additional option to apply sick leave to retirement service.

Employees in permanent positions accrue annual leave at a rate of 4 hours and 20 minutes to 9 hours and 45 minutes semi-monthly, depending on length of service. Accumulation is limited to a maximum of 60 days per year. Upon separation from service, an eligible employee is paid for unused leave at the daily pay rate at time of separation.

7. Deferred Inflows of Resources

Deferred inflows of resources are reported in the Statement of Net Position. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position, similar to liabilities.

8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Teachers' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report.

9. Postemployment Benefits Other Than Pensions (OPEB)

The Alabama Retired State Employees' Health Care Trust (the "Trust") financial statements are prepared by using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the plan. Subsequent events were evaluated by management through the date the financial statements were issued.

10. Net Position

Net position is required to be classified for accounting and reporting purposes into the following categories:

- ***Net Investment in Capital Assets*** – Capital assets, including restricted capital assets, reduced by accumulated depreciation and by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Any significant unspent related debt proceeds or inflows of resources at year-end related to capital assets are not included in this calculation.

- ***Unrestricted*** – Net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted resources may be designated for specific purposes by action of management or the Alabama Community College System Office Board of Trustees. The Board of Trustees designated $20,968,624.98 of net position as Alabama Community College System Reserve Fund. The purpose of the Fund is to guarantee Board-issued revenue bond debt service on behalf of the various System institutions.

11. Federal Financial Assistance Programs

The Office participates in various federal programs. Federal programs are audited in accordance with Title 2 U. S. C***ode of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** (*Uniform Guidance*).

Note 2 – Deposits and Investments

A. Deposits

The Office's deposits at year-end were held by financial institutions in the State of Alabama's Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the ***Code of Alabama 1975***, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

The Statement of Net Position classification "cash and cash equivalents" includes all readily available cash such as petty cash, demand deposits, and certificates of deposits with maturities of three months or less.

B. Investments

The Alabama Community College System Office may invest its funds in a manner consistent with all applicable state and federal regulations. All monies shall be placed in interest-bearing accounts unless legally restricted by an external agency. Investments in debt securities are limited to the two highest quality credit rating as described by nationally recognized statistical rating organizations (NRSROs). Obligations of the U. S. government or obligations explicitly guaranteed by the U. S. government are excluded from this requirement. Permissible investments include: 1) U. S. Treasury bills, notes, bonds, and stripped Treasuries; 2) U. S. Agency notes, bonds, debentures, discount notes and certificates; 3) certificates of deposit (CDs), checking and money market accounts of savings and loan associations, mutual savings banks, or commercial banks whose accounts are insured by FDIC/FSLIC, and who are designated a Qualified Public Depository (QPD) under the SAFE Program; 4) mortgage backed securities (MBSs); 5) mortgage-related securities including collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMIC) securities, 6) repurchase agreements; and 7) stocks and bonds which have been donated to the institution.

The Office's portfolio shall consist primarily of bank CDs and interest-bearing accounts, U. S. Treasury securities, debentures of a U. S. Government Sponsored Entity (GSE) and securities backed by collateral issued by GSEs. In order to diversify the portfolio's exposure to concentration risk, the portfolio's maximum allocation to specific product sectors is as follows: 1) U. S. Treasury bills, notes and bonds can be held without limitation as to amount. Stripped Treasuries shall never exceed 50 percent of the institution's total investment portfolio. Maximum maturity of these securities shall be ten years. 2) U. S. Agency securities shall have limitations of 50 percent of the Office's total investment portfolio for each Agency, with two exceptions: TVA and SLMA shall be limited to ten percent of total investments. Maximum maturity of these securities shall be ten years. 3) CDs with savings and loan associations, mutual savings banks, or commercial banks may be held without limit provided the depository is a QPD under the SAFE Program. CD maturity shall not exceed five years. 4) The aggregate total of all MBSs may not exceed 50 percent of the institution's total investment portfolio. The aggregate average life maturity for all holdings of MBS shall not exceed seven years, while the maximum average life maturity of any one security shall not exceed ten years. 5) The total portfolio of mortgage related securities shall not exceed 50 percent of the institution's total investment portfolio. The aggregate average life maturity for all holdings shall not exceed seven years while the average life maturity of one security shall not exceed ten years. 6) The Office may enter into a repurchase agreement so long as: (a) the repurchase securities are legal investments under state law for colleges; (b) the Office receives a daily assessment of the market value of the repurchase securities, including accrued interest, and maintains an adequate margin that reflects a risk assessment of the repurchase securities and the term of the transaction; and (c) the Office has entered into signed contracts with all approved counterparties. 7) The Office has discretion to determine if it should hold or sell other investments that it may receive as a donation.

The Office shall not invest in stripped mortgage-backed securities, residual interest in CMOs, mortgage servicing rights or commercial mortgage related securities.

Investment of debt proceeds and deposits with trustees is governed by the provisions of the debt agreement. Funds may be invested in any legally permissible document.

Endowment donations shall be invested in accordance with the procedures and policies developed by the Office and approved by the Chancellor in accordance with the "*Alabama Uniform Prudent Management of Institutional Funds Act*", ***Code of Alabama 1975***, Section 19-3C-1 and following.

At September 30, 2021, the Office had $101,591,495.69 in a construction fund account administered by its bond trustee. The balance of the deposit with trustee for the Series 2021 Special Fee Revenue Bonds are invested in Goldman Sachs Financial Square[SM] Funds which is a Money Market Fund. These funds invest primarily in a portfolio of short-term U. S. Treasury securities. These funds are rated AAAm by Standard & Poor's and Aaa[3] by Moody's.

Note 3 – Receivables

Receivables are summarized as follows:

Accounts Receivable:	
Federal	$ 8,372,728.15
State	106,800.26
Other	11,938,787.39
Total Accounts Receivable, Net	$20,418,315.80

Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Land	$ 339,800.00	$	$	$	$ 339,800.00
Building	886,888.80			(25,000.00)	861,888.80
Improvements		349,369.63			349,369.63
Construction in Progress		158,562.50			158,562.50
Capitalized Software	3,419,806.87			(3,419,806.87)	
Equipment	1,651,601.78	5,528,749.37	143,317.08		7,037,034.07
Total	6,298,097.45	6,036,681.50	143,317.08	(3,444,806.87)	8,746,655.00
Less: Accumulated Depreciation					
Buildings	17,737.78	17,237.78		(500.00)	34,475.56
Improvements		69,873.93			69,873.93
Capitalized Software	2,725,933.01	693,873.86		(3,419,806.87)	
Equipment	883,412.39	803,654.74	121,677.48		1,565,389.65
Total Accumulated Depreciation	3,627,083.18	1,584,640.31	121,677.48	(3,420,306.87)	1,669,739.14
Capital Assets, Net	$2,671,014.27	$4,452,041.19	$ 21,639.60	$ (24,500.00)	$7,076,915.86

Note 5 – Defined Benefit Pension Plan

A. Plan Description

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan (the "Plan"), was established as of September 15, 1939, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The ***Code of Alabama 1975***, Section 16-25-2, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

B. Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members are eligible for retirement after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status and eligibility for retirement. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

C. Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS were required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

Participating employers' contractually required contribution rate for the year ended September 30, 2021, was 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Office were $1,309,120.11 for the year ended September 30, 2021.

D. Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2021, the Office reported a liability of $17,549,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net collective pension liability was determined by an actuarial valuation as of September 30, 2019. The Office's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2020, the Office's proportion was 0.141870%, which was an increase of 0.022554% from its proportion measured as of September 30, 2019.

For the year ended September 30, 2021, the Office recognized pension expense of $3,244,596.68. At September 30, 2021, the Office reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 869,000.00	$304,000.00
Changes of assumptions	183,000.00	
Net difference between projected and actual earnings on pension plan investments	1,303,000.00	
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,858,000.00	
Employer contributions subsequent to the measurement date	1,309,000.00	
Total	$7,522,000.00	$304,000.00

The $1,309,000.00 reported as deferred outflows of resources related to pensions resulting from Office contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ending:	
September 30, 2022	$1,733,000.00
2023	$1,742,000.00
2024	$1,590,000.00
2025	$ 844,000.00
2026	$ 0
Thereafter	$ 0

E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Investment Rate of Return (*)	7.70%
Projected Salary Increases	3.25-5.00%

(*) Net of pension plan investment expense

The actuarial assumptions used in the September 30, 2019 valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015.

Mortality rates were based on the sex distinct RP-2000 White Collar Mortality Table projected to 2020 using Scale BB and adjusted 115% for all ages for males and 112% for females age 78 and older. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	100.00%	

(*) Includes assumed rate of inflation of 2.50%.

F. Discount Rate

The discount rate used to measure the total pension liability was 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Sensitivity of the Office's Proportionate Share of the Collective Net Pension Liability to Changes in the Discount Rate

The following table presents the Office's proportionate share of the collective net pension liability calculated using the discount rate of 7.70%, as well as what the Office's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Office's proportionate share of collective net pension liability	$23,414	$17,549	$12,586

(Dollar Amounts in Thousands)

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2020. The auditor's report dated April 23, 2021, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2020, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Note 6 – Other Postemployment Benefits (OPEB)

A. Plan Description

The Office contributes to the Alabama Retired State Employees' Health Care Trust (the "Trust"), a single-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retired state employees. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the State Employees' Insurance Board (the "Board") to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in SEHIP. Active and retiree health insurance benefits are paid through the State Employees' Health Insurance Plan (SEHIP). In accordance with GASB, the Trust is considered a component unit of the State of Alabama (the "State") and is included in the State's Annual Comprehensive Financial Report.

The State Employees' Insurance Board (SEIB) serves as the Plan Administrator for the SEHIP. This is a self-insured comprehensive health benefit plan serving active and retired State employees and their dependents. As Plan Administrator, the SEIB is primarily responsible for the control and supervision for the SEHIP. The SEIB is also responsible for designing benefits and setting premiums.

B. Benefits Provided

Retiree medical eligibility is attained when a retired employee with at least ten years of service to the State retires, and is immediately eligible to draw a retirement annuity from the Alabama Employees' Retirement System, the Alabama Judicial Retirement System, and for a small group of employers, the Teachers' Retirement System of Alabama.

The Trust provides basic coverage for up to 365 days of care during each hospital confinement, outpatient care, physicians' benefits, radiation therapy, and major medical benefits with no lifetime maximum. A group dental contract provides dental maintenance coverage with a maximum benefit amount of $1,500 during each year for each eligible participant who elects coverage. Plan members include State Employees, State Police, and Judges.

The SEHIP remains the primary insurer for medical coverage until the retiree is entitled to Medicare. Health benefits will be modified when the retiree or dependent becomes entitled to Medicare. A Medicare retiree and/or spouse should have both Medicare Parts A and B to have adequate coverage with the State of Alabama. A retiree cannot have SEHIP prescription drug coverage if enrolled for Medicare Part D prescription drug coverage. The SEHIP prescription drug benefit for Medicare retirees and/or spouses is provided through the SEHIP Employer Group Waiver Plan (EGWP).

C. Contributions

The ***Code of Alabama 1975***, Section 36-29-19.7, provide the Board with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, the Board is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

For retirees who retired prior to October 1, 2005, the State pays 100 percent of the premium for a retiree who is over 65 and eligible for Medicare. The State pays a portion of the premium for a retiree who is under 65. Under the SEHIP statute, the State contribution per month per retiree is funded on a pay-as-you-go basis through the active employee premiums each agency pays for its active employees. COBRA insurance is also available to state employees who terminate state service, but the employee is liable for the premiums. For retirees who retire other than for disability after October 1, 2005, the employer contribution is less for each year under twenty-five years of creditable coverage and more for each year over 25. For retirees on or after January 1, 2012, the employer contribution is also less for each year under the Medicare age. The retiree is responsible for the amount of contribution not covered by the State. The State may make additional contributions; however, no additional funds were contributed during the fiscal year. Retiree contributions vary based on the type of contract, dependent coverage, Medicare eligibility, and election, wellness participation, spousal surcharge, and tobacco usage.

A sliding scale premium is applied after September 30, 2005, to all employees retiring after September 30, 2005, based on their years of service. The premium for retiree coverage is broken down into the employer share (what SEHIP pays) and the retiree share. Under the sliding scale, the retiree will still be responsible for the retiree share; however, the employer share will increase or decrease based upon a retiree's years of service. For those employees retiring with 25 years of service, the employer would pay 100% of the employer share of the premium. For each year less than 25, the employer share would be reduced by 2% and the retiree share will be increased accordingly. For each year over 25, the employer share would be increased by 2% and the retiree share reduced accordingly.

For members retiring on or after January 1, 2012, the 2% reduction in the employer share of the premium for each year of service less than 25 will be increased to 4%. In addition, an 1% reduction in the employer share of the premium will be added for each year of age less than the Medicare entitlement age. This additional age premium component will be removed upon attaining Medicare entitlement.

D. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2021, the Office reported a liability of $3,190,278.00 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019. The Office's proportion of the collective net OPEB liability was based on a projection of the Office's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2020, the Office's proportion was 0.321254%, which was a decrease of 0.017635% from its proportion measured as of September 30, 2019.

For the year ended September 30, 2021, the Office recognized OPEB expense of $520,861.00 with no special funding situations. At September 30, 2021, the System Office reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	$ 3,149,387.00
Changes of assumptions	315,912.00	2,644,705.00
Net difference between projected and actual earnings on OPEB plan investments	3,852.00	
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,625,642.00	5,285,338.00
Employer contributions subsequent to the measurement date	230,375.00	
Total	$8,175,781.00	$11,079,430.00

The $230,375.00 reported as deferred outflows of resources related to OPEB resulting from the System Office's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending:	
September 30, 2022	$(782,440)
2023	$(788,572)
2024	$(740,175)
2025	$(630,591)
2026	$(192,245)
Thereafter	$ 0

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases (1)	3.25% - 5.00%
Long-Term Investment Rate of Return (2)	7.50%
Municipal Bond Index Rate at the Measurement Date	2.25%
Municipal Bond Index Rate at the Prior Measurement Date	3.00%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	N/A
Single Equivalent Interest Rate at the Measurement Date	7.50%
Single Equivalent Interest Rate at the Prior Measurement Date	3.63%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible (3)	
Ultimate Trend Rate:	
Pre-Medicare Eligible (4)	4.75%
Medicare Eligible (5)	4.75%
Dental Trend Rate	4.50%

(1) Includes 3.00% wage inflation.
(2) Compounded annually, net of investment expense, and includes inflation.
(3) Initial Medicare claims are set based on scheduled increases through plan year 2022.
(4) In 2027.
(5) In 2024.

Mortality rates for the period after service retirement are according to the sex distinct RP-2000 Blue Collar Mortality Table projected to 2020 using scale BB and adjusted 125% for all ages for males and 120% for ages 78 and over for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Alabama State Insurance Board on September 29, 2016.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2019 valuation were based on a review of recent plan experience done concurrently with the September 30, 2019 valuation.

Long-Term Rate of Return

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

Municipal Bond Rate

The discount bond rate uses a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used for this purpose is a 20-year Municipal Bond (rating AA/Aa or higher) rate (Municipal Bond Index Rate). The Municipal Bond Index Rate used, if necessary, for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index, the Fidelity General Obligation AA 20-year Municipal Bond Index, and the S&P High Grade 20-year Municipal Bond Index.

Periods of Projected Benefit Payments

Projected future benefit payments for all current plan members were projected through 2118.

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

Asset Class	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	28.20%	4.40%
U. S. Domestic Stocks	55.20%	8.70%
International Developed Market Stocks	10.80%	9.80%
Cash	5.80%	1.50%
Total	100.00%	

(*) Geometric mean, includes 2.5% inflation.

F. Discount Rate

The Single Equivalent Discount Rate (SEIR) is used in calculating the TOL. The SEIR is determined by calculating the rate that will generate the present value of benefit payments equal to the sum of the present value determined by discounting all projected benefit payments through the depletion date using the long-term expected rate of return and the present value determined by discounting benefit payments after the date of depletion date by using the 20-year municipal bond (rating AA/Aa or higher) rate.

G. Sensitivity of the System Office's Proportionate Share of the Collective Net OPEB Liability to Changes in Healthcare Cost Trend Rates

The following table presents the Office's proportionate share of the collective net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75% Decreasing to 3.75% for Pre-Medicare, Known Decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (6.75% Decreasing to 4.75% for Pre-Medicare, Known Decreasing to 4.75% for Medicare Eligible)	1% Increase (7.75% Decreasing to 5.75% for Pre-Medicare, Known Decreasing to 5.75% for Medicare Eligible)
Office's proportionate share of the collective net OPEB liability	$2,738,283	$3,190,278	$3,738,405

H. Sensitivity of the System's Proportionate Share of the Collective Net OPEB Liability to Changes in the Discount Rate

The following table presents the Office's proportionate share of the collective net OPEB liability of the Trust calculated using the discount rate of 7.50%, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Office's proportionate share of collective net OPEB liability	$3,647,791	$3,190,278	$2,805,444

I. OPEB Plan Fiduciary Net Position

The Plan's financial report may be obtained via the Internet at https://www.alseig.org. The OPEB plan's fiduciary net position has been determined on the same basis used by the OPEB plan. The Plan's financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Plan member contributions are recognized in the period due. Employer contributions are recognized when earned, pursuant to plan requirements. Benefits are recognized when due and payable, in accordance with the terms of the Plan. Revenues are recognized when earned and expenses are recognized when incurred. Investments are reported at fair value and changes in fair value are included in investment income.

Note 7 – Other Significant Commitments

As of September 30, 2021, Alabama Community College System Office had been awarded approximately $8,600,841.00 in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

Note 8 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at September 30, 2021 for goods and services received prior to the end of the fiscal year.

Benefits	$ 137,706.73
Supplies and Vendors	23,346,819.14
Total	$23,484,525.87

Note 9 – Lease Obligations

Operating Lease

The Office is obligated under a lease for facilities accounted for as an operating lease. Operating leases do not give rise to property rights. During the fiscal year ended September 30, 2021, the Office paid a total of $1,406,623.50 for operating leases.

The following is a schedule by fiscal year of future minimum rental payments required under operating leases for facilities that have an initial or remaining non-cancelable lease term in excess of one year as of September 30, 2021:

Fiscal Year	Facilities
2021-2022	$ 1,423,205.00
2022-2023	1,439,786.50
2023-2024	1,456,368.00
2024-2025	1,474,033.75
2025-2026	1,490,615.25
2026-2027	1,507,196.75
2027-2028	1,523,778.25
2028-2029	1,540,359.75
2029-2030	1,558,025.50
2030-2031	1,574,607.00
2031-2032	1,591,188.50
2032-2033	1,607,770.00
2033-2034	1,624,351.50
2034-2035	1,642,017.25
2035-2036	1,658,598.75
2036-2037	1,675,180.25
2037-2038	1,691,761.75
2038-2039	1,708,343.25
Total Minimum Payments Required	$28,187,187.00

<u>Note 10 – Long-Term Liabilities</u>

Long-term liabilities activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Reduction	Ending Balance	Current Portion
Leases Payable	$ 711,369.57	$	$711,369.57	$	$
Bonds Payable:					
Revenue Bonds		86,620,000.00		86,620,000.00	1,685,000.00
Bond Premium		15,992,274.60	99,326.81	15,892,947.79	
Total Bonds		102,812,274.60	99,326.81	102,512,947.79	
Other Liabilities:					
Compensated Absences	1,764,281.51	293,561.14		2,057,842.65	62,092.04
Total Long-Term Liabilities	$2,475,651.08	$103,105,835.74	$810,696.38	$104,570,790.44	$1,747,092.04

On September 14, 2021, the Board of Trustees of the Alabama Community College System issued $86,620,000.00 in Special Fee Revenue Bonds, Series 2021, to finance capital improvements on the campuses of its colleges, pay municipal bond insurance and expenses related to the Bonds.

Revenue from the ACCS Enhancements fee sufficient to pay the annual debt service are pledged to secure the bonds. Principal and interest maturity requirements on bond debt are as follows:

	2021 Special Fee Revenue Bonds		
Fiscal Year	Principal	Interest	Total
2021-2022	$ 1,685,000.00	$ 3,307,826.00	$ 4,992,826.00
2022-2023	1,620,000.00	3,381,200.00	5,001,200.00
2023-2024	1,665,000.00	3,332,600.00	4,997,600.00
2024-2025	1,735,000.00	3,266,000.00	5,001,000.00
2025-2026	1,805,000.00	3,196,600.00	5,001,600.00
2026-2027	1,875,000.00	3,124,400.00	4,999,400.00
2027-2028	1,950,000.00	3,049,400.00	4,999,400.00
2028-2029	2,030,000.00	2,971,400.00	5,001,400.00
2029-2030	2,110,000.00	2,890,200.00	5,000.200.00
2030-2031	2,190,000.00	2,805,800.00	4,995,800.00
2031-2032	2,285,000.00	2,718,200.00	5,003,200.00
2032-2033	2,370,000.00	2,626,800.00	4,996,800.00
2033-2034	2,470,000.00	2,532,000.00	5,002,000.00
2034-2035	2,565,000.00	2,433,200.00	4,998,200.00
2035-2036	2,670,000.00	2,330,600.00	5,000,600.00
2036-2037	2,780,000.00	2,223,800.00	5,003,800.00
2037-2038	2,885,000.00	2,112,600.00	4,997,600.00
2038-2039	3,005,000.00	1,997,200.00	5,002,200.00
2039-2040	3,120,000.00	1,877,000.00	4,997,000.00
2040-2041	3,250,000.00	1,752,200.00	5,002,200.00
2041-2042	3,375,000.00	1,622,200.00	4,997,200.00
2042-2043	3,515,000.00	1,487,200.00	5,002,200.00
2043-2044	3,655,000.00	1,346,600.00	5,001,600.00
2044-2045	3,795,000.00	1,200,400.00	4,995,400.00
2045-2046	3,955,000.00	1,048,600.00	5,003,600.00
2046-2047	4,110,000.00	890,400.00	5,000,400.00
2047-2048	4,270,000.00	726,000.00	4,996,000.00
2048-2049	4,445,000.00	555,200.00	5,000,200.00
2049-2050	4,625,000.00	377,400.00	5,002,400.00
2050-2051	4,810,000.00	192,400.00	5,002,400.00
Totals	$86,620,000.00	$63,375,426.00	$149,995,426.00

Bond Premium

The Office has a bond premium in connection with the issuance of its 2021 Series Special Fee Revenue Bonds. The bond premium is being amortized using the straight-line method over life of the bonds.

	Premium
Total Premium	$15,992,274.60
Current Amount Amortized	99,326.81
Balance Premium	$15,892,947.79

Pledged Revenues

The Alabama Community College System has pledged revenues derived from the ACCS Enhancements Fee to repay $86,620,000.00 in Revenue Bonds Series 2021 issued in September 2021 for the purpose of financing capital improvements on the campuses of its colleges, paying municipal bond insurance and expenses related to the Bonds. Future revenues in the approximate amount of $149,995,426.00 are pledged to repay the principal and interest on the bonds. During the 2021 fiscal year, pledged ACCS Enhancements Fee in the amount of $8,255,463.49 was received. No payments on the bonds were made in fiscal year 2021. These bonds are scheduled to mature in fiscal year 2051.

Note 11 – Risk Management

The Office is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Office has insurance for its buildings and contents through the State Insurance Fund (SIF), part of the State of Alabama Department of Finance, Division of Risk Management, a public entity risk pool, which operates as a common risk management and insurance program for state owned properties. The Office pays an annual premium based on the amount of coverage requested. The SIF provides coverage up to $2 million per occurrence and is self-insured up to a maximum of $6 million in aggregate claims. The SIF purchases commercial insurance for claims which in the aggregate exceed $6 million. The Office purchases commercial insurance for its automobile coverage, general liability, and professional legal liability coverage. In addition, the Office has fidelity bonds on the Chancellor and Fiscal Services personnel as well as all other Office personnel who handle funds.

Health Insurance

Employee health insurance is provided through the State Employees' Health Insurance Fund (SEHIF) administered by the State Employees' Health Insurance Board (SEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state agencies and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Office contributes a specified amount monthly to the SEHIF for each employee and this amount is applied against the employee's premiums for the coverage selected and the employee pays any remaining premium.

Settled claims resulting from these risks have not exceeded the Office's coverage in any of the past three fiscal years.

Note 12 – Net Position Restatements

Prior period adjustments have been made as outlined below:

Beginning Net Position, September 30, 2020	$77,288,172.77
Prior Period Adjustment	
Correct Capital Asset Value	(25,000.00)
Correct Accumulated Depreciation	500.00
Total Adjustments	(24,500.00)
Net Position, October 1, 2020, as Restated	$77,263,672.77

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Required Supplementary Information

Schedule of the Alabama Community College System (ACCS) Office's Proportionate Share of the Collective Net Pension Liability For the Year Ended September 30, 2021 (Dollar amounts in thousands)

	2021	2020	2019	2018	2017
ACCS Office's proportion of the collective net pension liability	0.141870%	0.119316%	0.099373%	0.090735%	0.078088%
ACCS Office's proportionate share of the collective net pension liability	$ 17,549	$ 13,193	$ 9,880	$ 8,918	$ 8,454
ACCS Office's covered payroll during the measurement period (*)	$ 10,115	$ 8,594	$ 7,138	$ 5,928	$ 4,524
ACCS Office's proportionate share of the collective net pension liability as a percentage of its covered payroll	173.49%	153.51%	138.41%	150.44%	186.87%
Plan fiduciary net position as a percentage of the total collective pension liability	67.72%	69.85%	72.29%	71.50%	67.93%

(*) Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based. This is also known as pensionable payroll. For fiscal year 2021, the measurement period for covered payroll is October 1, 2019 through September 30, 2020.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of the Alabama Community College System (ACCS) Office's Contributions - Pension
For the Year Ended September 30, 2021
(Dollar amounts in thousands)

	2021	2020	2019	2018	2017
Contractually required contribution	$ 1,309	$ 1,224	$ 1,037	$ 841	$ 688
Contributions in relation to the contractually required contribution	$ 1,309	$ 1,224	$ 1,037	$ 841	$ 688
Contribution deficiency (excess)	$	$	$	$	$
ACCS Office's covered payroll	$ 10,879	$ 10,115	$ 8,594	$ 7,138	$ 5,928
Contributions as a percentage of covered payroll	12.03%	12.10%	12.07%	11.78%	11.61%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. For fiscal year 2021, the covered payroll is for the reporting fiscal year October 1, 2020 through September 30, 2021.

The amount of contractually required contributions is equal to the amount that would be recognized as additions from the ACCS Office's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the ACCS Office's fiscal year. For participants in TRS, this includes amounts paid for Accrued Liability, Normal Cost, Term Life Insurance, Pre-Retirement Death Benefit and Administrative Expenses.

Schedule of the Alabama Community College System (ACCS) Office's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability
Alabama Retired Education Employees' Health Care Trust
For the Year Ended September 30, 2021
(Dollar amounts in thousands)

	2021	2020	2019	2018
ACCS Office's proportion of the collective net OPEB liability	0.321254%	0.338889%	0.239897%	0.219266%
ACCS Office's proportionate share of the collective net OPEB liability (asset)	$ 3,190	$ 5,862	$ 6,971	6,936
ACCS Office's covered-employee payroll during the measurement period (*)	$ 10,371	$ 9,045	$ 7,380	5,986
ACCS Office's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	30.76%	64.81%	94.46%	115.87%
Plan fiduciary net position as a percentage of the total collective OPEB liability	17.16%	9.94%	5.96%	5.05%

(*) Per GASB 75, covered-employee payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan. The covered-employee payroll for this RSI Schedule (GASB 75 paragraph 97) is for the reporting period (i.e. the measurement period), which for the September 30, 2021 year is October 1, 2019 through September 30, 2020.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of the Alabama Community College System (ACCS) Office's Contributions -
Other Postemployment Benefits (OPEB)
Alabama Retired Education Employees' Health Care Trust
For the Year Ended September 30, 2021
(Dollar amounts in thousands)

	2021	2020	2019	2018
Contractually required contribution	$ 230	$ 175	$ 253	$ 193
Contributions in relation to the contractually required contribution	$ 230	$ 175	$ 253	$ 193
Contribution deficiency (excess)	$	$	$	$
ACCS Office's covered-employee payroll	$ 11,110	$ 10,371	$ 9,045	$ 7,380
Contributions as a percentage of covered-employee payroll	2.07%	1.69%	2.80%	2.62%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes in Actuarial Assumptions

In 2019, the anticipated rates of participation, spouse coverage, and tobacco use were adjusted to more closely reflect actual experience.

Recent Plan Changes

Beginning in plan year 2021, the MAPD plan premium rates exclude the ACA Health Insurer Fee which was repealed on December 20, 2019.

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through a (MAPD) plan.

The Health Plan is changed each year to reflect the ACA maximum annual out-of-pocket amounts.

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay, open
Remaining Amortization Period	30 years
Asset Valuation Method	Fair Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible (*)	(*)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75% in 2027
Medicare Eligible	4.75% in 2024
Dental Trend Rate	4.50%
Investment Rate of Return	5.00%, including inflation

(*) Initial Medicare claims are set based on scheduled increases through plan year 2022.

Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Pass-Through to Subrecipients	Total Federal Expenditures
U. S. Department of Education				
Direct Program				
Adult Education - Basic Grants to States	84.002		$ 8,037,601.83	$ 8,760,621.24
Passed Through Alabama State Department of Education				
Career and Technical Education - Basic Grants to States	84.048	X210282		431,015.03
U. S. Department of Labor				
Direct Program				
H-1B Job Training Grants	17.268		3,312,225.25	3,784,744.08
U. S. Department of Treasury				
Passed Through State of Alabama Department of Finance				
COVID-19 Coronavirus Relief Fund	21.019	N.A.	18,888,490.72	31,682,635.34
Total Expenditures of Federal Awards			$ 30,238,317.80	$ 44,659,015.69

N.A. = Not Available or Not Applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2021

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Alabama Community College System Office, under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** (*Uniform Guidance*). Because the Schedule presents only a selected portion of the operations of the Alabama Community College System Office, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Alabama Community College System Office.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

The Alabama Community College System Office has elected not to use the 10-percent de minimis indirect cost rate allowed under the *Uniform Guidance*.

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Additional Information

Members of Board of Trustees and Officials
October 1, 2020 through September 30, 2021

Board Members	**Term Expires**
Hon. Kay Ivey, Governor	President
Hon. Milton A. Davis, Chairman (Beginning May 19, 2021) District 6 (Vice-Chairman until May 19, 2021)	2023
Hon. Al Thompson, Chairman District 1 (Until May 7, 2021)	2021
Hon. Blake McAnally, Vice-Chairman (Beginning May 19, 2021) Member-At-Large	2023
Hon. J.E.B. Shell District 1 (Beginning May 8, 2021)	2025
Hon. John Mitchell District 2	2023
Hon. Valarie Gray District 3 (Beginning May 8, 2021)	2025
Hon. Susan Foy District 3 (Until May 7, 2021)	2021
Hon. Matthew Woods District 4	2023
Hon. Goodrich 'Dus' Rogers District 5 (Beginning May 8, 2021)	2025
Hon. Crystal Brown District 5 (Until May 7, 2021)	2021

Members of Board of Trustees and Officials
October 1, 2020 through September 30, 2021

Board Members	**Term Expires**
Hon. Llevelyn Rhone District 7 (Beginning May 8, 2021)	2025
Hon. Chuck Smith District 7 (Until May 7, 2021)	2021
Hon. Yvette Richardson	Ex-Officio
Hon. Jeffrey Newman (Until February 2021)	Ex-Officio

Officials

Jimmy H. Baker,
Chancellor

Susan Price,
Vice-Chancellor, System Development and ACCS Chief of Staff

Bryan Helms,
Vice-Chancellor for Administrative and Financial Services

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditor's Report

Board of Trustees – Alabama Community College System
Jimmy H. Baker, Chancellor – Alabama Community College System Office
Montgomery, Alabama 36130

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States, the financial statements of the Alabama Community College System Office, a component unit of the State of Alabama, as of and for the year ended September 30, 2021, and related notes to the financial statements, which collectively comprise the Alabama Community College System Office's basic financial statements and have issued our report thereon dated June 10, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Alabama Community College System Office's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Alabama Community College System Office's internal control. Accordingly, we do not express an opinion on the effectiveness of the Alabama Community College System Office's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Alabama Community College System Office's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rachel Laurie Riddle

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

June 10, 2022

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Board of Trustees – Alabama Community College System
Jimmy H. Baker, Chancellor – Alabama Community College System Office
Montgomery, Alabama 36130

Report on Compliance for Each Major Federal Program

We have audited the Alabama Community College System Office's, a component unit of the State of Alabama, compliance with the types of compliance requirements described in the ***OMB Compliance Supplement*** that could have a direct and material effect on each of the Alabama Community College System Office's major federal programs for the year ended September 30, 2021. The Alabama Community College System Office's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with each of the Alabama Community College System Office's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** (*Uniform Guidance*). Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Alabama Community College System Office's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Alabama Community College System Office's compliance.

Opinion on Each Major Federal Program

In our opinion, the Alabama Community College System Office complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control Over Compliance

Management of the Alabama Community College System Office is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Alabama Community College System Office's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Alabama Community College System Office's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

Rachel Laurie Riddle

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

June 10, 2022

Section I – Summary of Examiner's Results

Financial Statements

Type of report the auditor issued on whether the audited financial statements were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ Yes	X No
Significant deficiency(ies) identified?	______ Yes	X None reported
Noncompliance material to financial statements noted?	______ Yes	X No

Federal Awards

Internal control over major federal programs:		
Material weakness(es) identified?	______ Yes	X No
Significant deficiency(ies) identified?	______ Yes	X None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance*?	______ Yes	X No

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
21.019	COVID-19 Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:	$1,339,770.47	
Auditee qualified as low-risk auditee?	X Yes	______ No

Section II – Financial Statement Findings (GAGAS)

No matters were reportable.

Section III – Federal Awards Findings and Questioned Costs

No matters were reportable.